

**REPORT OF THE AUDIT OF THE
PIKE COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2011**



**ADAM H. EDELEN
AUDITOR OF PUBLIC ACCOUNTS
www.auditor.ky.gov**

**209 ST. CLAIR STREET
FRANKFORT, KY 40601
TELEPHONE (502) 564-5841
FACSIMILE (502) 564-2912**



ADAM H. EDELEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Steven L. Beshear, Governor

Lori H. Flanery, Secretary

Finance and Administration Cabinet

Honorable Wayne T. Rutherford, Pike County Judge/Executive

Members of the Pike County Fiscal Court

The enclosed report prepared by Peercy and Gray, PSC, presents the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Pike County, Kentucky, as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements.

We engaged Peercy and Gray, PSC, to perform the audit of these financial statements. We worked closely with the firm during our report review process; Peercy and Gray, PSC, evaluated the Pike County's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Adam H. Edelen".

Adam H. Edelen
Auditor of Public Accounts

Enclosure



EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE PIKE COUNTY FISCAL COURT

June 30, 2011

Peercy and Gray, PSC has completed the audit of the Pike County Fiscal Court for fiscal year ended June 30, 2011. We have issued an unqualified opinion on the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information. We have issued a qualified opinion on the aggregate discretely presented component units. We qualified our opinion on the aggregate discretely presented component units because the Pike County Golf Management Corporation, a legally separated component unit, used an accrual basis of accounting for presentation of their financial statements. The Pike County Fiscal Court used a modified cash basis of accounting for presentation of their financial statements. Accounting principles generally accepted in the United States of America, as applicable to the modified cash basis of accounting; require component units to be reported under the same basis of accounting as the primary government. In accordance with OMB Circular A-133, we have issued an unqualified opinion on the compliance requirements that are applicable to Pike County's major federal programs for the year ended June 30, 2011.

Financial Condition:

The county had total net assets of \$66,029,831 as of June 30, 2011. The county had unrestricted net assets of \$3,311,175 in its governmental activities as of June 30, 2011, with total net assets of \$64,765,143. In its business-type activities, the county had unrestricted net assets of \$391,004, with total net assets of \$1,264,688. Total debt principal as of June 30, 2011, was \$44,136,750 with \$2,447,988 due within the next year.

Deposits:

The fiscal court's deposits were insured and collateralized by bank securities.

Report Comments:

2011-01 Projects Greater Than \$20,000 Not Advertised For Bids As Required Per KRS 424.260

2011-02 Work Hours Charged To Federal Grants Should Match Timesheets

CONTENTS

Page

INDEPENDENT AUDITORS' REPORT.....	1
PIKE COUNTY OFFICIALS	4
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS.....	7
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS	10
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS	14
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS	18
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS	23
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUNDS - MODIFIED CASH BASIS	27
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUNDS - MODIFIED CASH BASIS	31
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS - MODIFIED CASH BASIS	35
STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS.....	39
NOTES TO FINANCIAL STATEMENTS.....	41
BUDGETARY COMPARISON SCHEDULES	65
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION	69
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS	73
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS	77
BALANCE SHEET - GOVERNMENTAL FUND - COMPONENT UNIT - MODIFIED CASH BASIS	81
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUND - COMPONENT UNIT - MODIFIED CASH BASIS	85
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	89
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.....	91
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	95
REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133.....	99
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	103
APPENDIX A:	
CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS	



PEERCY AND GRAY, PSC

Certified Public Accountants

2300 Hurstbourne Village Drive, Suite 500

Louisville, Kentucky 40299

Phone: (502) 493-1090

FAX: (502) 493-7231

To the People of Kentucky

Honorable Steven L. Beshear, Governor

Lori H. Flanery, Secretary

Finance and Administration Cabinet

Honorable Wayne T. Rutherford, Pike County Judge/Executive

Members of the Pike County Fiscal Court

Independent Auditors' Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Pike County, Kentucky, as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Pike County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Pike County Golf Management Corporation, which represent 37% and 50%, respectively, of the assets and revenues of the discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Pike County Golf Management Corporation, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provides a reasonable basis for our opinions.

As described in Note 1, Pike County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The financial statements of the Pike County Golf Management Corporation, a discretely presented component unit of Pike County Fiscal Court are presented in accordance with the accrual basis of accounting and therefore include certain accruals required by accounting principles generally accepted in the United States of America that are not presented in accordance with the modified cash basis of accounting. The amounts by which these accruals affect the financial statement are not reasonably determinable.

To the People of Kentucky
Honorable Steven L. Beshear, Governor
Lori H. Flanery, Secretary
Finance and Administration Cabinet
Honorable Wayne T. Rutherford, Pike County Judge/Executive
Members of the Pike County Fiscal Court

In our opinion, based on our audit and the report of other auditors, except for the effects of such adjustments, if any, as might have been determined to be necessary had the Pike County Golf Management Corporation's financial statements been presented on a modified cash basis of accounting, the financial statements referred to above present fairly, in all material respects, the financial position of the aggregate discretely presented component units of Pike County, Kentucky, as of June 30, 2011 and the changes in financial position thereof for the year then ended in conformity with the basis of accounting described in Note 1.

In addition, in our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information for Pike County, Kentucky, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the modified cash basis of accounting.

The county has not presented the management's discussion and analysis that the Governmental Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be part of, the basic financial statements. The budgetary comparison information is not a required part of the basic financial statements but is supplementary information required by GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the budgetary comparison information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Pike County, Kentucky's basic financial statements. The accompanying supplemental information, combining fund financial statements and component unit fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is not a required part of the basic financial statements. The combining fund financial statements, component unit fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have issued our report dated November 28, 2011, on our consideration of Pike County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

To the People of Kentucky
Honorable Steven L. Beshear, Governor
Lori H. Flanery, Secretary
Finance and Administration Cabinet
Honorable Wayne T. Rutherford, Pike County Judge/Executive
Members of the Pike County Fiscal Court

Based upon the results of our audit, we present the accompanying Schedule of Findings and Questioned Costs, included herein, which discuss the following report comments:

2011-01 Projects Greater Than \$20,000 Not Advertised For Bids As Required Per KRS 424.260

2011-02 Work Hours Charged To Federal Grants Should Match Timesheets

Respectfully submitted,

A handwritten signature in black ink that reads "Percy and Gray, PSC". The signature is written in a cursive, flowing style.

Percy and Gray, PSC
Certified Public Accountants

November 28, 2011

PIKE COUNTY OFFICIALS**For The Fiscal Year Ended June 30, 2011****Fiscal Court Members:**

Wayne T. Rutherford	County Judge/Executive
Jeff Anderson	Magistrate
Vernon Johnson	Magistrate
Leo Murphy	Magistrate
Kenneth Robinson	Magistrate
Lloyd Hillman Dotson	Magistrate
Christian Harris	Magistrate

Other Elected Officials:

Howard Keith Hall	County Attorney
Rodney Scott	Jailer
Lillian P. Elliott	County Clerk
David Deskins	Circuit Court Clerk
Charles "Fuzzy" Keese	Sheriff
Lonnie Osborne	Property Valuation Administrator
Russell Roberts	Coroner

Appointed Personnel:

Johnda B. Billiter	County Treasurer
Rhonda James	Finance Officer

PIKE COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2011

PIKE COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
June 30, 2011

	Primary Government			Component Units	
	Governmental Business-Type			Pike County	Pike County Golf
	Activities	Activities	Totals	Interlocal 911 Board	Mngt. Corp. 12/31/10
ASSETS					
Current Assets:					
Cash and Cash Equivalents	\$ 21,823,345	\$ 3,173,837	\$ 24,997,182	\$ 11,141	\$ 96,938
Receivable Due from Airport Board	118,055		118,055		
Receivable Due from 911 Board	51,809		51,809		
Receivable Due from Golf Management	588,194		588,194		
Inventory					3,296
Prepaid Expenses					15,343
Total Current Assets	<u>22,581,403</u>	<u>3,173,837</u>	<u>25,755,240</u>	<u>11,141</u>	<u>115,577</u>
Noncurrent Assets:					
Land	769,068		769,068		
Construction in Progress	11,826,358		11,826,358		
Capital Assets - Net of Accum. Depr.					
Land Improvements	1,734,052		1,734,052		
Buildings	13,039,882	63,468	13,103,350		
Vehicles and Equipment	3,926,152	2,465,417	6,391,569	418,126	147,476
Infrastructure Assets	50,586,944		50,586,944		
Total Noncurrent Assets	<u>81,882,456</u>	<u>2,528,885</u>	<u>83,642,273</u>	<u>418,126</u>	<u>147,476</u>
Total Assets	<u>104,463,859</u>	<u>5,702,722</u>	<u>109,397,513</u>	<u>429,267</u>	<u>263,053</u>
LIABILITIES					
Current Liabilities:					
Accounts Payable					53,229
Bonds Payable	1,600,000	520,100	2,120,100		
Financing Obligations Payable	327,888		327,888		
Total Current Liabilities	<u>1,927,888</u>	<u>520,100</u>	<u>2,447,988</u>		<u>53,229</u>
Noncurrent Liabilities:					
Bonds Payable	36,200,000		36,200,000		
Financing Obligations Payable	1,570,828	3,917,934	5,488,762		
Total Noncurrent Liabilities	<u>37,770,828</u>	<u>3,917,934</u>	<u>41,688,762</u>		
Total Liabilities	<u>39,698,716</u>	<u>4,438,034</u>	<u>44,136,750</u>		<u>53,229</u>
NET ASSETS					
Invested in Capital Assets,					
Net of Related Debt	61,453,928	(1,909,149)	59,544,779	418,126	147,476
Restricted For:					
Debt Service	40		40		
Landfill Closure and Postclosure		2,782,833	2,782,833		
Unrestricted	3,311,175	391,004	3,702,179	11,141	62,348
Total Net Assets	<u>\$ 64,765,143</u>	<u>\$ 1,264,688</u>	<u>\$ 66,029,831</u>	<u>\$ 429,267</u>	<u>\$ 209,824</u>

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

PIKE COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2011

PIKE COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2011

		Program Revenues Received		
Functions/Programs Reporting Entity	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 9,951,955	\$ 34,148	\$ 846,956	\$ 340,896
Protection to Persons and Property	5,253,256	251,432	2,943,721	
General Health and Sanitation	585,113	15,977		
Social Services	1,131,059			
Recreation and Culture	1,244,266		2,634,596	
Roads	6,152,427		15,895,112	7,757,845
Other Transportation Facilities and Services	1,307,687			
Interest on Long-term Debt	982,550			
Capital Projects	1,227,341			
Total Governmental Activities	27,835,654	301,557	22,320,385	8,098,741
Business-type Activities:				
Solid Waste Operations	8,037,813	5,228,354	607,477	
Jain Canteen	99,091	127,478		
Total Business-type Activities	8,136,904	5,355,832	607,477	
Total Primary Government	\$ 35,972,558	\$ 5,657,389	\$ 22,927,862	\$ 8,098,741
Component Units:				
Pike County Inter-Local 911 Board	\$ 558,236	\$ 468,979	\$	\$
Pike County Golf Management Board	542,985	241,666	243,145	
Total Component Units	\$ 1,101,221	\$ 710,645	\$ 243,145	\$ 0

General Revenues:

Taxes:

 Real Property Taxes

 Personal Property Taxes

 Motor Vehicle Taxes

 Other Taxes

Excess Fees

Interest Received

Transfers

Miscellaneous Revenues

Total General Revenues

Change in Net Assets

Net Assets - Beginning

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

PIKE COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2011
(Continued)

Net (Expenses) Revenues and Changes in Net Assets				
Primary Government			Component Units	
Governmental Activities	Business-Type Activities	Totals	Pike County Interlocal 911 Board	Pike County Golf Mngt. Corp. 12/31/10
\$ (8,729,955)	\$	\$ (8,729,955)	\$	\$
(2,058,103)		(2,058,103)		
(569,136)		(569,136)		
(1,131,059)		(1,131,059)		
1,390,330		1,390,330		
17,500,530		17,500,530		
(1,307,687)		(1,307,687)		
(982,550)		(982,550)		
(1,227,341)		(1,227,341)		
2,885,029		2,885,029		
	(2,201,982)	(2,201,982)		
	28,387	28,387		
	(2,173,595)	(2,173,595)		
2,885,029	(2,173,595)	711,434		
			(89,257)	
				(58,174)
			(89,257)	(58,174)
2,102,407		2,102,407		
915,767		915,767		
617,509		617,509		
1,314,898		1,314,898		
622,052		622,052		
585,778	21,899	607,677	187	29
(477,155)	477,155			
1,289,502		1,289,502		
6,970,758	499,054	7,469,812	187	29
9,855,787	(1,674,541)	8,181,246	(89,070)	(58,145)
54,909,356	2,939,229	57,848,585	518,337	267,969
\$ 64,765,143	\$ 1,264,688	\$ 66,029,831	\$ 429,267	\$ 209,824

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

PIKE COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
June 30, 2011

PIKE COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2011

	General Fund	Road Fund	Jail Fund	Local Government Economic Assistance Fund
ASSETS				
Cash and Cash Equivalents	\$ 403,056	\$ 96,335	\$ 261,256	\$ 1,381,975
Receivable Due From 911 Board	51,809			
Receivable Due From Golf Management				588,194
Receivable Due From Airport Bd.				118,055
Total Assets	<u>\$ 454,865</u>	<u>\$ 96,335</u>	<u>\$ 261,256</u>	<u>\$ 2,088,224</u>
FUND BALANCES				
Nonspendable	51,809			706,249
Restricted:				
Capital Projects				
Debt Service Fund				
Committed:				685,000
Assigned:				
Protection to Persons and Property			261,256	
Recreation and Culture				
Roads		96,335		696,975
Other Transportation Facilities	26,717			
Unassigned	<u>376,339</u>			
Total Fund Balances	<u>\$ 454,865</u>	<u>\$ 96,335</u>	<u>\$ 261,256</u>	<u>\$ 2,088,224</u>

The accompanying notes are an integral part of the financial statements.

PIKE COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
June 30, 2011
(Continued)

Public Properties Corporation Fund	General Obligation Bond Fund	Non- Major Funds	Total Governmental Funds
\$ 19,270,188	\$ 40	\$ 410,495	\$ 21,823,345
			51,809
			588,194
			118,055
<u>\$ 19,270,188</u>	<u>\$ 40</u>	<u>\$ 410,495</u>	<u>\$ 22,581,403</u>
			758,058
19,270,188			19,270,188
	40		40
			685,000
		13,265	274,521
		397,230	397,230
			793,310
			26,717
			<u>376,339</u>
<u>\$ 19,270,188</u>	<u>\$ 40</u>	<u>\$ 410,495</u>	<u>\$ 22,581,403</u>

Reconciliation of Balance Sheet - Governmental Funds to Statement of Net Assets:

Total Fund Balances	\$ 22,581,403
Amounts Reported For Governmental Activities In The Statement	
Of Net Assets Are Different Because:	
Capital Assets Used in Governmental Activities Are Not Financial Resources	
And Therefore Are Not Reported in the Funds.	181,377,291
Accumulated Depreciation	(99,494,835)
Long-term and short-term debt is not due and payable	
in the current period and, therefore, is not reported in the funds.	
Financing Obligations	(1,898,716)
Bonded Debt	<u>(37,800,000)</u>
Net Assets Of Governmental Activities	<u>\$ 64,765,143</u>

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

PIKE COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2011

PIKE COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2011

	General Fund	Road Fund	Jail Fund	Local Government Economic Assistance Fund
REVENUES				
Taxes	\$ 4,608,792	\$	\$	\$
In Lieu Tax Payments	88,113	661		
Excess Fees	622,052			
Licenses and Permits	242,787			
Intergovernmental	1,187,852	10,986,561	2,943,721	12,666,396
Charges for Services	34,148		251,432	15,977
Miscellaneous	189,588	811,272	14,959	123,952
Interest	3,613	31		
Total Revenues	<u>6,976,945</u>	<u>11,798,525</u>	<u>3,210,112</u>	<u>12,806,325</u>
EXPENDITURES				
General Government	3,633,083			441,410
Protection to Persons and Property	418,811		3,554,314	945,488
General Health and Sanitation	268,857			294,632
Social Services	135,614			995,445
Recreation and Culture				1,040,286
Roads	109,264	12,462,166		30,050
Other Transportation Facilities	1,279,470			28,217
Debt Service		2,447,895		361,157
Capital Projects	79,048	1,318,332	9,056	1,547,337
Administration	2,115,415	1,528,207	1,004,239	456,682
Total Expenditures	<u>8,039,562</u>	<u>17,756,600</u>	<u>4,567,609</u>	<u>6,140,704</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(1,062,617)</u>	<u>(5,958,075)</u>	<u>(1,357,497)</u>	<u>6,665,621</u>
Other Financing Sources (Uses)				
Proceeds from Short-term Note		1,750,000		
Proceeds from Financing Obligations		677,388		
Proceeds from Bonds				
Payment of Bond Anticipation Note				
Transfers From Other Funds	1,544,109	2,934,021	1,547,136	29
Transfers To Other Funds	(362,979)	(747,988)	(9,041)	(5,950,315)
Total Other Financing Sources (Uses)	<u>1,181,130</u>	<u>4,613,421</u>	<u>1,538,095</u>	<u>(5,950,286)</u>
Net Change in Fund Balances	118,513	(1,344,654)	180,598	715,335
Fund Balances - Beginning	336,352	1,440,989	80,658	1,372,889
Fund Balances - Ending	<u>\$ 454,865</u>	<u>\$ 96,335</u>	<u>\$ 261,256</u>	<u>\$ 2,088,224</u>

The accompanying notes are an integral part of the financial statements.

PIKE COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
For The Year Ended June 30, 2011
(Continued)

Public Properties Corporation Bond Fund	General Obligation Bond Fund	Judicial Center Bond Fund	Non- Major Funds	Total Governmental Funds
\$	\$	\$	\$ 10,229	\$ 4,619,021
				88,774
				622,052
				242,787
2,395,107	239,489			30,419,126
				301,557
			149,730	1,289,501
581,446	38	242	408	585,778
<u>2,976,553</u>	<u>239,527</u>	<u>242</u>	<u>160,367</u>	<u>38,168,596</u>
				4,074,493
			5,719	4,924,332
				563,489
				1,131,059
				1,040,286
				12,601,480
				1,307,687
2,149,879	807,362	22,360		5,788,653
7,006,726		83,803	225,227	10,269,529
432,851		41		5,537,435
<u>9,589,456</u>	<u>807,362</u>	<u>106,204</u>	<u>230,946</u>	<u>47,238,443</u>
<u>(6,612,903)</u>	<u>(567,835)</u>	<u>(105,962)</u>	<u>(70,579)</u>	<u>(9,069,847)</u>
				1,750,000
				677,388
30,925,000				30,925,000
		(6,500,000)		(6,500,000)
	567,873	5,041,909		11,635,077
<u>(5,041,909)</u>				<u>(12,112,232)</u>
<u>25,883,091</u>	<u>567,873</u>	<u>(1,458,091)</u>	<u>-</u>	<u>26,375,233</u>
19,270,188	38	(1,564,053)	(70,579)	17,305,386
	2	1,564,053	481,074	5,276,017
<u>\$ 19,270,188</u>	<u>\$ 40</u>	<u>\$ 0</u>	<u>\$ 410,495</u>	<u>\$ 22,581,403</u>

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

PIKE COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2011

PIKE COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2011

Net Change in Fund Balances - Total Governmental Funds \$ 17,305,386

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.

Capital Outlay	18,354,283
Depreciation Expense	(3,658,331)
Capital Asset Disposal, Net Book Value	(99,266)

The issuance of debt (e.g. bonds, leases) provides current financial resources to governmental funds, while debt principal payments are expensed in the Governmental Funds as a use of current financial resources. These transactions, however, have no affect on net assets.

Proceeds from Short-term Note	(1,750,000)
Financing Obligation Proceeds	(677,388)
Bond Proceeds	(30,925,000)
Payment on Bond Anticipation Note	6,500,000
Payment of Short-term Note	1,750,000
Financing Obligations Principal Payments	986,103
Bond Principal Payments	<u>2,070,000</u>
Change in Net Assets of Governmental Activities	<u><u>\$ 9,855,787</u></u>

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

PIKE COUNTY
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUNDS - MODIFIED CASH BASIS
June 30, 2011

PIKE COUNTY
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUNDS - MODIFIED CASH BASIS

June 30, 2011

	Business-Type Activities Enterprise Fund		
	Solid Waste Fund	Jail Canteen Fund	Totals
Assets			
Current Assets:			
Cash and Cash Equivalents	\$ 3,085,850	\$ 87,987	\$ 3,173,837
Total Current Assets	3,085,850	87,987	3,173,837
Noncurrent Assets:			
Capital Assets:			
Buildings	69,660		69,660
Vehicles and Equipment	5,607,131	14,995	5,622,126
Less Accumulated depreciation	(3,160,502)	(2,399)	(3,162,901)
Total Noncurrent Assets	2,516,289	12,596	2,528,885
Total Assets	5,602,139	100,583	5,702,722
Liabilities			
Current Liabilities			
Financing Obligations Payable	520,100		520,100
Total Current Liabilities	520,100		520,100
Noncurrent Liabilities			
Financing Obligations Payable	3,917,934		3,917,934
Total Noncurrent Liabilities	3,917,934		3,917,934
Total Liabilities	4,438,034		4,438,034
Net Assets			
Invested in Capital Assets, Net of Related Debt	(1,921,745)	12,596	(1,909,149)
Restricted for Landfill Closure and Postclosure	2,782,833		2,782,833
Unrestricted	303,017	87,987	391,004
Total Net Assets	\$ 1,164,105	\$ 100,583	\$ 1,264,688

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

PIKE COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2011

PIKE COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2011

	Business-Type Activities		
	Enterprise Funds		
	Solid Waste Fund	Jail Canteen Fund	Totals
Operating Revenues			
Operating Grants	\$ 607,477	\$	\$ 607,477
Garbage Collection	3,289,352		3,289,352
Landfill User Fees	1,835,549		1,835,549
Recycling	30,341		30,341
Miscellaneous	331,186		331,186
Canteen Receipts		127,478	127,478
Total Operating Revenues	<u>6,093,905</u>	<u>127,478</u>	<u>6,221,383</u>
Operating Expenses			
Office Materials & Supplies	99,397		99,397
Office Expense	64,192		64,192
Maintenance Expense	3,269,678		3,269,678
Insurance	141,262		141,262
Grant Expenditures	182,848		182,848
Uniforms	6,418		6,418
Payroll Expense	2,261,582		2,261,582
Fringe Benefits	1,684,099		1,684,099
Cost of Sales		3,649	3,649
Educational and Recreational		93,043	93,043
Depreciation	255,728	2,399	258,127
Total Operating Expenses	<u>7,965,204</u>	<u>99,091</u>	<u>8,064,295</u>
Operating Income (Loss)	<u>(1,871,299)</u>	<u>28,387</u>	<u>(1,842,912)</u>
Non-operating Revenues (Expenses)			
Interest Income	21,899		21,899
Loss on Sale of Assets	(258,074)		(258,074)
Lease Payments (Interest Expense)	(72,609)		(72,609)
Total Non-operating Revenues (Expenses)	<u>(308,784)</u>		<u>(308,784)</u>
Net Income (Loss) Before Transfers	(2,180,083)	28,387	(2,151,696)
Transfers From Other Funds	1,273,306		1,273,306
Transfers To Other Funds	(796,151)		(796,151)
Change In Net Assets	(1,702,928)	28,387	(1,674,541)
Total Net Assets - Beginning	2,867,033	72,196	2,939,229
Total Net Assets - Ending	<u>\$ 1,164,105</u>	<u>\$ 100,583</u>	<u>\$ 1,264,688</u>

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

PIKE COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS - MODIFIED CASH BASIS
For The Year Ended June 30, 2011

PIKE COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2011

	Business-Type Activities		
	Enterprise Funds		Totals
	Solid Waste Fund	Jail Canteen Fund	
Cash Flows From Operating Activities			
Receipts From Customers	\$ 5,155,242	\$ 127,478	\$ 5,282,720
Miscellaneous	331,186		331,186
Grant Receipts	607,477		607,477
Payments to Vendors	(3,763,795)		(3,763,795)
Payments to Employees	(2,261,582)		(2,261,582)
Payments of Benefits on Behalf of Employees	(1,684,099)		(1,684,099)
Cost of Sales		(3,649)	(3,649)
Educational & Recreational		(93,043)	(93,043)
Net Cash Provided By Operating Activities	(1,615,571)	30,786	(1,584,785)
Cash Flows From Noncapital Financing Activities			
Transfers To Other Funds	(796,151)		(796,151)
Transfers From Other Funds	1,273,306		1,273,306
Net Cash Used By Noncapital Financing Activities	477,155		477,155
Cash Flows From Capital and Related Financing Activities			
Purchase of Assets	(45,194)	(14,995)	(60,189)
Principal Paid on Capital Debt	(518,162)		(518,162)
Interest Paid on Capital Debt	(72,609)		(72,609)
Net Cash Used By Capital and Related Financing Activities	(635,965)	(14,995)	(650,960)
Cash Flows From Investing Activities			
Interest Earned	21,899		21,899
Net Increase (Decrease) in Cash and Cash Equivalents	(1,752,482)	15,791	(1,736,691)
Cash and Cash Equivalents - July 1, 2010	4,838,332	72,196	4,910,528
Cash and Cash Equivalents - June 30, 2011	\$ 3,085,850	\$ 87,987	\$ 3,173,837
Summary of Non-Cash Transactions			
Purchase of Short-term Assets	\$ (243,319)		\$ (243,319)
Issuance of Capital Debt for Purchase of Assets	243,319		243,319
Total Purchase of Assets	\$ 0	\$ 0	\$ 0
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities			
Operating Income (Loss)	\$ (1,871,299)	\$ 28,387	\$ (1,842,912)
Adjustments to Reconcile Operating Income To Net Cash Provided (Used) By Operating Activities			
Depreciation Expense	255,728	2,399	258,127
Total Cash Provided By Operating Activities	\$ (1,615,571)	\$ 30,786	\$ (1,584,785)

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

PIKE COUNTY
STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS
June 30, 2011

PIKE COUNTY
STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS

June 30, 2011

	<u>Agency Fund</u> <u>Inmate</u> <u>Account</u>
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 61,217
Total Assets	<u>61,217</u>
Liabilities	
Amounts Held In Custody For Others	<u>61,217</u>
Total Liabilities	<u>61,217</u>
Net Assets	
Total Net Assets	<u><u>\$ 0</u></u>

The accompanying notes are an integral part of the financial statements.

**INDEX TO
NOTES TO FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	41
NOTE 2. DEPOSITS.....	49
NOTE 3. CAPITAL ASSETS	50
NOTE 4. SHORT-TERM DEBT	52
NOTE 5. LONG-TERM DEBT	53
NOTE 6. EMPLOYEE RETIREMENT SYSTEM	58
NOTE 7. INSURANCE.....	59
NOTE 8. DEFERRED COMPENSATION	59
NOTE 9. ESTIMATED INFRASTRUCTURE HISTORICAL COST	59
NOTE 10. LANDFILL CLOSURE AND POST-CLOSURE COSTS	59
NOTE 11. INTERFUND TRANSFERS IN/OUT	60
NOTE 12. RELATED PARTY TRANSACTIONS	61
NOTE 13. PROPERTY TAXES	61
NOTE 14. CHANGE IN ACCOUNTING PRINCIPLES	61
NOTE 15. SUBSEQUENT EVENTS.....	61

PIKE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The county presents its government wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Property tax receivables, accounts payable, compensated absences, and donated assets, are not reflected in the financial statements.

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however, the value of these assets are included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

B. Reporting Entity

The financial statements of Pike County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Auditing Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes an organization that is legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. All other component units are discretely presented.

Blended Component Unit

The following legally separate organization provides its services exclusively to the primary government and the fiscal court is able to impose its will on this organization. This organization's balances and transactions are reported as though they are part of the county's primary government using the blending method.

Pike County Public Properties Corporation

The fiscal court appoints a voting majority of the Public Properties Corporation's governing board and has the ability to impose its will on the governing board. In addition, the fiscal court is financially accountable and legally obligated for the debt of the Public Properties Corporation.

PIKE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Reporting Entity (Continued)

Discretely Presented Component Units

The component units' column in the government wide financial statements includes the data of the following organizations. It is reported on the Statement of Net Assets and the Statement of Activities in separate columns that are labeled as "Component Unit" to emphasize these organizations' separateness from the fiscal court's primary government.

Pike County Interlocal 911 Board

The Pike County Interlocal 911 Board (the Board) is a legally separate entity established to provide emergency response services to Pike County. The Board's members are appointed independently of the Pike County Fiscal Court, and the Board's governing body is substantially different from that of the Fiscal Court. However, the Fiscal Court is financially accountable for the Board because the Fiscal Court must approve rate changes established by the Board and therefore does not have a separate audited financial report. This financial accountability requires management to include the Board as a component unit. The Board is not included in any other organization's reporting entity and does not provide services exclusively to the Fiscal Court; therefore, the financial activity of the Board is presented discretely.

The fiscal court appropriated \$479,922 to the Board for operating expenses in the fiscal year ending June 30, 2011. The Board reimbursed the fiscal court \$428,113. As of June 30, 2011, the balance of owed to the fiscal court is \$51,809.

Pike County Golf Management Corporation

The Pike County Golf Management Corporation (the Corporation) is a legally separate entity established to provide recreational services to Pike County. The Pike County Fiscal Court appoints the Corporation's board members, and the Corporation's governing body is substantially different from that of the Fiscal Court. The Corporation is not included in any other organization's reporting entity and does not provide services exclusively to the Fiscal Court; therefore, the financial activity of the Board is presented discretely.

The fiscal court appropriated \$229,463 to the Corporation for operating expenses in the fiscal year ending June 30, 2011. The Corporation reimbursed the fiscal court \$18,783. Fiscal Court forgave the receivable amount of \$205,834. As of June 30, 2011 the balance owed to the fiscal court was \$588,194.

Audited financial statements of the Pike County Golf Management Corporation can be obtained by writing the Board at 26 Hurts Branch, Pikeville, Kentucky 41501.

PIKE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Pike County Elected Officials

Kentucky law provides for election of the officials below from the geographic area constituting Pike County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities; however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Pike County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

D. Government-Wide and Fund Financial Statements

The primary government reports the governmental activities, business-type activities, proprietary funds, and fiduciary funds using the economic resources measurement focus and the modified cash basis of accounting. Revenues are recognized when received and expenses are recognized when paid, except for the recognition of depreciation expense on the statement of activities and the statement of revenues, expenses and changes in fund net assets - proprietary funds.

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt – consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets – resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use or

PIKE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-Wide and Fund Financial Statements (Continued)

directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Funds are characterized as either major or non-major funds. Major funds are those funds whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary funds) and whose total assets, liabilities, revenues or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as a major fund.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

Governmental Funds

The governmental funds are accounted for on the modified cash basis and focus on the flow of current financial resources. Revenues are recognized when received and expenditures are recognized when paid.

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the Fiscal Court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or when management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Department for Local Government requires the Fiscal Court to maintain these receipts and expenditures separately from the General Fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of revenue are reimbursements from the state and federal government and transfers from other funds. The Department for Local Government requires the Fiscal Court to maintain these receipts and expenditures separately from the General Fund.

Local Government Economic Assistance Fund - The purpose of this fund is to account for funds earmarked for economic development. The primary sources of revenue for this fund are from the state. The Department for Local Government requires the Fiscal Court to maintain these receipts and expenditures separately from the General Fund.

Public Properties Corporation Bond Fund - The purpose of this fund is to account for the construction and debt service requirements for the Judicial Center. The Department for Local Government does not require the Fiscal Court to report or budget these funds.

PIKE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-Wide and Fund Financial Statements (Continued)

General Obligation Bond Fund - The purpose of this fund is to account for debt service requirements of general obligation bonds of the Fiscal Court. The Department for Local Government does not require the Fiscal Court to report or budget these funds.

Judicial Center Bond Fund - The purpose of this fund is to temporarily account for the construction and debt service requirements for the Judicial Center. The Department for Local Government does not require the Fiscal Court to report or budget these funds.

The government also has the following non-major funds: Forestry Fund and Local Government Economic Development Fund.

Special Revenue Funds:

The Road Fund, Jail Fund, Local Government Economic Assistance Fund, Forestry Fund, and the Local Government Economic Development Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

Debt Service Fund

The General Obligation Bond Fund, the Public Properties Corporation Bond Fund and the Judicial Center Bond Fund are used to account for the accumulation of resources for, and the payment of long-term debt principal and interest.

Proprietary Funds

The proprietary funds are reported using the economic resources measurement focus and the modified cash basis of accounting. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the county's proprietary funds are garbage collection fees and landfill user fees in the Solid Waste Fund and charges to customers for sales in the Jail Canteen Fund. The government has elected not to adopt Financial Accounting Standards Board (FASB) Statements of Interpretations issued after November 30, 1989 unless the Governmental Accounting Standards Board (GASB) specifically adopts such FASB Statements or Interpretations.

The government reports the following major proprietary funds:

Solid Waste Fund - The Solid Waste Fund operations are authorized by the Fiscal Court. The Solid Waste Fund allows for the collection and disposal of garbage from residents of Pike County. Also included in this fund is the operation of a county landfill. The Fords Branch Landfill Closing fund is included in the operations of the Solid Waste Fund. The Fords Branch Landfill Closing fund collects funds during the active life of the landfill to cover final closure costs and post-closure maintenance and monitoring costs 30 years after final closure.

PIKE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135 (1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135 (2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

Fiduciary Funds

Fiduciary funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments. The county's agency fund is used to account for monies held by the county in the Jail Inmate Fund for custodial purposes only. Unlike other funds, the agency fund reports assets and liabilities only; therefore, it has no measurement focus.

The primary government reports the following fiduciary fund:

Jail Inmate Account - This fund accounts for funds received from inmates after incarceration.

Presentation of Component Units

The financial statements present the following major discretely presented component units: Pike County Interlocal 911 Board and Pike County Golf Management Corporation.

These component units are presented in a separate column on the Statement of Net Assets and the Statement of Activities that is labeled as "Component Units" to emphasize these organizations' separateness from the fiscal court's primary government.

E. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificate of deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

PIKE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

F. Capital Assets

Capital assets, which include land and land improvements, buildings and building improvements, vehicles and equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 25,000	10-60
Buildings and Building Improvements	25,000	10-75
Machinery and Equipment	2,500	3-25
Vehicles	2,500	5- 7
Infrastructure	20,000	2-40

G. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and financing obligations are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance cost when received or when paid, during the current period.

The principal amount of the debt and interest is reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds received are reported as other financing sources.

H. Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into nonspendable and spendable components, if applicable. Nonspendable includes amounts that must be maintained intact legally or contractually.

Spendable amounts include the following:

Restricted-amounts constrained for a specific purpose by external parties, constitutional provisions or enabling legislation.

PIKE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

H. Fund Equity (Continued)

Committed-amounts constrained for a specific purpose by the County using its highest level of decision-making authority. For resources considered committed, the County issues an ordinance that can only be changed with another corresponding ordinance

Assigned-for all governmental funds, other than general fund, any remaining positive amounts not classified as nonspendable, restricted or committed. For the general fund, amounts constrained, by intent, to be used for a specific purpose by the County official given authority to assign amounts. For the resources considered assigned, the County has designated the Judge Executive to carry out the intent of the Fiscal Court.

Unassigned-for the general fund, amounts not classified as nonspendable, restricted, committed or assigned. For all other governmental funds, the amount expended in excess of resources that are nonspendable, restricted, committed or assigned.

It is the policy of the County to spend restricted funds first when both restricted and unrestricted are available. Once restricted funds are spent then committed, assigned and unassigned funds are spent in that order.

Encumbrances, although not reported on the balance sheet, are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Due to the modified cash basis of accounting, encumbrances can also include invoices for goods or services received at June 30, but not yet paid and not included as an accounts payable. Significant encumbrances at year end are reported by major funds and non-major funds in the aggregate and included with the commitments and contingencies note disclosure, if applicable.

I. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

PIKE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

J. Related Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the following are considered related organizations of Pike County Fiscal Court: Mountain Water District, Pike County Housing Authority, and the Pike County Extension Board.

K. Jointly Governed Organization

Pike County Fiscal Court, in conjunction with the City of Pikeville, has created the Pikeville-Pike County Airport Board (the Board). The Board is composed of six appointed members, three appointed from each of the two participating governments. The fiscal court appropriated \$108,396 to the Board for operating expenses. The Board did not reimburse the fiscal court in FYE 2011. As of June 30, 2011, the balance owed to the fiscal court was \$118,055.

Note 2. Deposits

The primary government and its discretely presented component units maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) in accordance with KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the primary government or its discretely presented component unit and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution's failure, the primary government's or its discretely presented component unit's deposits may not be returned to it. The primary government and its discretely presented component unit do not have deposit policies for custodial credit risk, but rather follows the requirements of KRS 41.240(4). As of June 30, 2011, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

PIKE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 3. Capital Assets

Capital asset activity for the year ended June 30, 2011 was as follows:

	Reporting Entity			
	Restated Beginning Balance	Increases	Decreases	Ending Balance
Primary Government:				
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 769,068	\$	\$	\$ 769,068
Construction in Progress	4,735,829	7,090,529		11,826,358
Total Capital Assets Not Being Depreciated	5,504,897	7,090,529		12,595,426
Capital Assets, Being Depreciated:				
Land Improvements	893,755	1,024,491		1,918,246
Buildings	22,324,453	732,890		23,057,343
Vehicles and Equipment	9,458,406	293,544	(470,994)	9,280,956
Infrastructure	126,724,351	9,212,829	(1,411,860)	134,525,320
Total Capital Assets Being Depreciated	159,400,965	11,263,754	(1,882,854)	168,781,865
Less Accumulated Depreciation For:				
Land Improvements	(107,463)	(76,731)		(184,194)
Buildings	(9,532,855)	(484,606)		(10,017,461)
Vehicles and Equipment	(5,195,735)	(530,797)	371,728	(5,354,804)
Infrastructure	(82,784,039)	(2,566,197)	1,411,860	(83,938,376)
Total Accumulated Depreciation	(97,620,092)	(3,658,331)	1,783,588	(99,494,835)
Total Capital Assets, Being Depreciated, Net	61,780,873	7,605,423	(99,266)	69,287,030
Governmental Activities Capital Assets, Net	<u>\$ 67,285,770</u>	<u>\$ 14,695,952</u>	<u>\$ (99,266)</u>	<u>\$ 81,882,456</u>
<u>Business-Type Activities:</u>				
Capital Assets, Being Depreciated:				
Buildings	\$ 69,660			69,660
Vehicles and Equipment	6,711,499	60,189	(1,149,562)	5,622,126
Total Capital Assets Being Depreciated	6,781,159	60,189	(1,149,562)	5,691,786
Less Accumulated Depreciation For:				
Buildings	(4,644)	(1,548)		(6,192)
Vehicles and Equipment	(3,791,618)	(256,579)	891,488	(3,156,709)
Total Accumulated Depreciation	(3,796,262)	(258,127)	891,488	(3,162,901)
Total Capital Assets, Being Depreciated, Net	2,984,897	(197,938)	(258,074)	2,528,885
Business-Type Activities Capital Assets, Net	<u>\$ 2,984,897</u>	<u>\$ (197,938)</u>	<u>\$ (258,074)</u>	<u>\$ 2,528,885</u>

PIKE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 3. Capital Assets (Continued)

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
Pike County Interlocal 911 Board				
<u>Component Unit Activities:</u>				
Capital Assets Being Depreciated:				
Vehicles and Equipment	\$ 1,110,080	\$ 7,395	\$ (12,889)	\$ 1,104,586
Less Accumulated Depreciation For:				
Vehicles and Equipment	<u>(613,640)</u>	<u>(83,131)</u>	<u>10,311</u>	<u>(686,460)</u>
Component Unit Activities Capital Assets, Net	<u>\$ 496,440</u>	<u>\$ (75,736)</u>	<u>\$ (2,578)</u>	<u>\$ 418,126</u>
Pike County Golf Management Corporation				
<u>Component Unit Activities:</u>				
Capital Assets Being Depreciated:				
Vehicles and Equipment	\$ 518,058	\$ 702	\$	\$ 518,760
Less Accumulated Depreciation For:				
Vehicles and Equipment	<u>(339,931)</u>	<u>(31,353)</u>		<u>(371,284)</u>
Component Unit Activities Capital Assets, Net	<u>\$ 178,127</u>	<u>\$ (30,651)</u>	<u>\$ 0</u>	<u>\$ 147,476</u>

Beginning balances for Governmental Activities were restated due to \$200,000 in land purchased in the prior year was erroneously classified as Land Improvements instead of Land.

Depreciation expense was charged to functions of the primary government as follows:

<u>Governmental Activities</u>	
General Government	\$ 340,027
Protection to Persons and Property	328,924
General Health and Sanitation	21,624
Recreation and Culture	203,980
Roads	<u>2,763,776</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 3,658,331</u>
<u>Business-Type Activities</u>	
Jail Commissary	\$ 2,399
Solid Waste Vehicles and Equipment	<u>255,728</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 258,127</u>
<u>Component Unit Activities</u>	
Pike County Interlocal 911 Board	\$ 83,131
Pike County Golf Management Corporation	<u>31,353</u>
Total Depreciation Expense - Component Unit Activities	<u>\$ 114,484</u>

PIKE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 4. Short-term Debt

Governmental Activities

A. First Mortgage Revenue Bond Anticipation Notes, Series 2010

On April 30, 2010, Pike County Fiscal Court issued \$6,500,000 of First Mortgage Revenue Bond Anticipation Notes to pay off the First Mortgage Revenue Bond Anticipation Notes, Series 2008 and provide additional interim funds to pay costs associated with the new Judicial Center. The notes require semiannual interest payments due April 1 and October 1 with the first being due October 1, 2010. The note was paid in full in April 2011.

B. Short-term Note Series 2010

On December 22, 2010 Pike County Fiscal Court borrowed \$1,750,000 as a 6 month short-term loan for road repairs. The interest rate was 2.796%. This loan was paid in full in June 2011.

Business-type Activities

C. Dump Trucks #27

On August 5, 2010 Pike County Fiscal Court entered into a three year lease agreement with the Kentucky Association of Counties Leasing Trust Program for two Mack trucks. The principal amount of the lease was \$243,319. The interest rate was 2.551%. The lease agreement was paid in full in June 2011.

D. Changes in Short-term Liabilities

	Beginning Balance	Additions	Reductions	Ending Balance
Primary Government:				
<u>Governmental Activities:</u>				
Bond Anticipation Notes	\$ 6,500,000	\$	\$ 6,500,000	\$
Short-term Note		1,750,000	1,750,000	
Governmental Activities				
Short-term Liabilities	<u>\$ 6,500,000</u>	<u>\$ 1,750,000</u>	<u>\$ 8,250,000</u>	<u>\$ 0</u>
<u>Business-type Activities:</u>				
Financing Obligations	\$	\$ 243,319	\$ 243,319	\$
Business-type Activities				
Short-term Liabilities	<u>\$ 0</u>	<u>\$ 243,319</u>	<u>\$ 243,319</u>	<u>\$ 0</u>

PIKE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 5. Long-Term Debt

Governmental Activities

A. Courthouse #4

On June 17, 1991, Pike County entered into a lease agreement with Kentucky Association of Counties Leasing Trust Program for courthouse renovations. The principal amount of the lease was \$5,000,000. The agreement requires variable monthly payments for 25 years to be paid in full July 1, 2016. The principal balance of the agreement was \$1,653,872 as of June 30, 2011. The variable interest rate results in a payment schedule that may not compare to the prior year schedule. Lease payments for the remaining years are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2012	\$ 65,459	\$ 293,322
2013	52,776	310,956
2014	39,366	329,650
2015	25,138	349,468
2016	10,077	370,476
Totals	<u>\$ 192,816</u>	<u>\$ 1,653,872</u>

B. Courthouse Extra #5

On June 29, 1993, Pike County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust Program for an additional courthouse renovation and furniture. The principal amount of the lease was \$600,000. The agreement requires variable monthly payments for 25 years to be paid in full March 1, 2018, with a variable interest rate. The variable interest rate results in a payment schedule that may not compare to the prior year schedule. The principal balance of the agreement was \$240,145 as of June 30, 2011. Lease payments for the remaining years are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2012	\$ 9,708	\$ 29,867
2013	8,412	31,827
2014	7,036	33,915
2015	5,567	36,141
2016	4,009	38,512
2017-2018	2,926	69,883
Totals	<u>\$ 37,658</u>	<u>\$ 240,145</u>

PIKE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 5. Long-Term Debt (Continued)

Governmental Activities (Continued)

C. Senior Citizens Vehicle #20

On January 5, 2007, Pike County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust Program for a Senior Citizens vehicle. The principal amount of the lease was \$20,699. The agreement requires variable monthly payments for 5 years to be paid in full January 20, 2012. The principal balance of the agreement was \$4,699 as of June 30, 2011. Lease payments for the remaining years are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2012	\$ 237	\$ 4,699
Totals	<u>\$ 237</u>	<u>4,699</u>

D. Revenue Refunding, Series 2004

In September 2004, the Pike County Fiscal Court, issued \$4,320,000 in general obligation-refunding bonds to refinance the 1997 bond issue for the Hall of Justice. The bonds require semiannual interest payments due March 1 and September 1 and one principal payment each year due September 1. The bonds will mature September 1, 2018. As of June 30, 2011, the principal amount outstanding was \$2,695,000. Bond payments for the remaining years are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2012	\$ 93,821	\$ 325,000
2013	82,503	345,000
2014	70,078	365,000
2015	56,664	385,000
2016	41,950	410,000
2017-2019	<u>58,730</u>	<u>865,000</u>
Totals	<u>\$ 403,746</u>	<u>\$ 2,695,000</u>

PIKE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 5. Long-Term Debt (Continued)

Governmental Activities (Continued)

E. Improvement Bonds, Series 2005

On March 24, 2006, the Pike County Fiscal Court, issued \$6,400,000 in general obligation improvement bonds for improvements to the Hall of Justice. The bonds require semiannual interest payments due March 1 and September 1 and one principal payment each year due March 1. The bonds will mature March 1, 2036. As of June 30, 2011, the principal amount outstanding was \$5,815,000. Bond payments for the remaining years are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2012	\$ 262,835	\$ 135,000
2013	256,760	140,000
2014	250,460	145,000
2015	243,935	150,000
2016	237,185	160,000
2017-2021	1,073,200	885,000
2022-2026	856,750	1,090,000
2027-2031	587,058	1,375,000
2032-2036	244,335	1,735,000
Totals	<u>\$ 4,012,518</u>	<u>\$ 5,815,000</u>

F. Public Properties Corporation First Mortgage Revenue Bonds, Series 2010

On August 5, 2010, the Pike County Fiscal Court, issued \$30,925,000 in revenue bonds for the building of the new Judicial Center. The bonds require semiannual interest payments due March 1 and September 1 and one principal payment each year due March 1. The bonds will mature August 1, 2029. As of June 30, 2011, the principal amount outstanding was \$29,290,000. Bond payments for the remaining years are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2012	\$ 1,009,063	\$ 1,140,000
2013	980,188	1,165,000
2014	944,713	1,200,000
2015	908,113	1,240,000
2016	870,388	1,275,000
2017-2021	3,073,619	7,010,000
2022-2026	3,060,425	8,325,000
2027-2030	650,697	7,935,000
Totals	<u>\$ 11,497,206</u>	<u>\$ 29,290,000</u>

PIKE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 5. Long-Term Debt (Continued)

Governmental Activities (Continued)

G. Dump Trucks #28

On August 23, 2010 Pike County Fiscal Court entered into a three year lease agreement with the Kentucky Association of Counties Leasing Trust Program for three Mack trucks. The principal amount of the lease was \$338,694. The interest rate was 2.552%. The lease agreement was paid in full in June 2011.

H. Dump Trucks #29

On September 13, 2010 Pike County Fiscal Court entered into a three year lease agreement with the Kentucky Association of Counties Leasing Trust Program for three Mack trucks. The principal amount of the lease was \$338,694. The interest rate was 2.799%. The lease agreement was paid in full in June 2011.

Business-Type Activities

I. John Deere Lease-Purchase

On May 20, 2010, Pike County Fiscal Court entered into a lease-purchase agreement with John Deere Credit to purchase a John Deere Dozer. The principal amount of the lease-purchase agreement was \$260,124. The agreement requires monthly payments due on the 20th of each month with an interest rate of 3.95% to be paid in full June 20, 2015. As of June 30, 2011 the principal amount outstanding was \$208,033. Lease payments for the remaining years are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2012	\$ 7,317	\$ 50,100
2013	5,302	52,115
2014	3,205	54,211
2015	<u>1,025</u>	<u>51,607</u>
Totals	<u>\$ 16,849</u>	<u>\$ 208,033</u>

PIKE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 5. Long-Term Debt (Continued)

Business-Type Activities (Continued)

J. KACO-Landfill Phase V #26

On May 4, 2010, Pike County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust Program for acquisition and construction of the Landfill Phase V. The principal amount of the lease was \$4,700,000. The agreement requires monthly interest payments due on the 20th of each month with an interest rate of 3.699% with principal payments due on May 20 of each year. The lease will mature on May 20, 2020. As of June 30, 2011, the principal amount outstanding was \$4,230,000.

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2012	\$ 171,909	\$ 470,000
2013	152,537	470,000
2014	133,272	470,000
2015	113,939	470,000
2016	94,800	470,000
2017-2020	<u>184,673</u>	<u>1,880,000</u>
Totals	<u>\$ 851,130</u>	<u>\$ 4,230,000</u>

K. Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2011, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Primary Government:					
<u>Governmental Activities:</u>					
General Obligation Bonds	\$ 8,945,000	\$	\$ 435,000	\$ 8,510,000	\$ 460,000
Revenue Bonds		30,925,000	1,635,000	29,290,000	1,140,000
Financing Obligations	<u>2,207,431</u>	<u>677,388</u>	<u>986,103</u>	<u>1,898,716</u>	<u>327,888</u>
Governmental Activities Long-term Liabilities	<u>\$ 11,152,431</u>	<u>\$ 31,602,388</u>	<u>\$ 3,056,103</u>	<u>\$ 39,698,716</u>	<u>\$ 1,927,888</u>
<u>Business-Type Activities:</u>					
Financing Obligations	<u>\$ 4,956,196</u>	<u>\$</u>	<u>\$ 518,162</u>	<u>\$ 4,438,034</u>	<u>\$ 520,100</u>
Business-Type Activities Long-term Liabilities	<u>\$ 4,956,196</u>	<u>\$ 0</u>	<u>\$ 518,162</u>	<u>\$ 4,438,034</u>	<u>\$ 520,100</u>

PIKE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 6. Employee Retirement System

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple-employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 16.93 percent.

The County's contribution for FY 2009 was \$1,224,012, FY 2010 was \$1,541,203 and FY 2011 was \$1,535,415.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

CERS also provides postretirement health care coverage.

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

<u>Years of Service</u>	<u>% Paid by Insurance Fund</u>	<u>% Paid by Member Through Payroll Deduction</u>
20 or more	100%	0%
15-19	75%	25%
10-14	50%	50%
4-9	25%	75%
Less than 4	0%	100%

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement System at 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

PIKE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 7. Insurance

For the fiscal year ended June 30, 2011, Pike County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 8. Deferred Compensation

The Pike County Fiscal Court participates in deferred compensation plans administered by the Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under DRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate.

These deferred compensation plans permit all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing The Kentucky Public Employee's Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in The Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing Kentucky Public Employees' Deferred Compensation Authority at 101 Sea Hero Road, Suite 110, Frankfort, KY 40601-8862, or by telephone at (502)573-7925.

Note 9. Estimated Infrastructure Historical Cost

Historical cost of infrastructure placed in service prior to the fiscal year ended June 30, 2003 (year of GASB 34 implementation) is an estimate. For those assets, the primary government estimated the year infrastructure was built by determining when a major reconstruction had been done on infrastructure. This estimate was used to calculate the infrastructure historical cost by determining current year construction cost and deflating it back to the estimated year of construction or reconstruction.

Estimated infrastructure historical cost includes infrastructure placed in service from fiscal year 1984 through June 30, 2002. All infrastructure assets placed in service during the fiscal year ended June 30, 2003 and thereafter are recorded at actual historical cost.

Note 10. Landfill Closure and Post-Closure Costs

401 KAR 48:310 Section 2 and 3 requires the owner or operator of a landfill to have a detailed written estimate, in current dollars, the cost of hiring a third party to close the solid waste disposal site and to conduct each phase of closure care monitoring and maintenance in accordance with the closure plan. The Ford's Branch Landfill closure plan currently calls for six phases. As of June 30, 2011, 97% of phase four of the landfill capacity had been used. The Fiscal Court has constructed Phase V of the landfill but as of June 30, 2011, the new phase has not opened.

PIKE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 10. Landfill Closure and Post-Closure Costs (Continued)

Pike County must comply with established state and federal closure procedures and must perform maintenance and monitoring procedures at the site for 30 years after closure. Estimated closure costs total \$3,267,652, and estimated post closure care costs total \$50,705 per year for 30 years. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. Since the financial statements are prepared on a modified cash basis of accounting, no liability has been recognized for closure or post closure costs.

The fiscal court is required by state and federal laws and regulations to make annual contributions to finance closure and post-closure care. At June 30, 2011, the Ford's Branch Landfill Closing Fund had a cash balance of \$2,763,397. The fiscal court did not make a deposit into the account reserved for the landfill closing as the estimated escrow needed was \$2,686,672.

The Ford's Branch Landfill is scheduled to close in the year 2011. It is anticipated that sufficient funds will be available in the Ford's Branch Landfill Closing Account to pay estimated closure and post-closure costs.

Note 11. Interfund Transfers In/Out

	General Fund	Road Fund	Jail Fund	Local Government Economic Assistance Fund	Public Properties Corporation Bond Fund	Solid Waste Fund	Total Transfers In
General Fund	\$	\$ 747,988	\$	\$	\$	\$ 796,121	\$ 1,544,109
Road Fund	109,979			2,824,042			2,934,021
Jail Fund	253,000			1,294,136			1,547,136
Local Government Economic Assistance Fund						29	29
General Obligation Bond Fund			9,041	558,832			567,873
Judicial Center Bond Fund					5,041,909		5,041,909
Solid Waste Fund				1,273,305		1	1,273,306
Total Transfers Out	<u>\$ 362,979</u>	<u>\$ 747,988</u>	<u>\$ 9,041</u>	<u>\$ 5,950,315</u>	<u>\$ 5,041,909</u>	<u>\$ 796,151</u>	<u>\$ 12,908,383</u>

Reasons for Transfers:

1. To move resources from the General Fund, for budgetary purposes, to the fund that will expend them.
2. To returned unused resources, for budgetary purposes, to the General Fund.

PIKE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 12. Related Party Transactions

The County entered into the following related party transactions, which were approved by the fiscal court.

The County expended \$100,847 with East Kentucky Chemicals for cleaning supplies. The Treasurer's spouse is employed by East Kentucky Chemicals.

The County expended \$2,875 with Venter's Gulf Service for towing services. County Magistrate Kenneth Robinson's son owns Venter's Gulf Service.

Note 13. Property Taxes

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to sale ninety days following April 15.

Note 14. Change in Accounting Principles

The Pike County Fiscal Court implemented a new accounting standard, Governmental Accounting Standards Board (GASB) Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions which has altered the classifications of fund balance on the Balance Sheet – Governmental Funds. The implementation also resulted in one fund previously presented as a special revenue fund that no longer meets the definition to be rolled into the General Fund.

As a result, beginning Fund Balance for the General Fund has been increased for the addition of the previously reported Maintenance Garage Fund. The effect of the change is a total increase of \$27,132 in the General Fund.

Note 15. Subsequent Events

On July 6, 2011, Pike County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Trust Program to purchase three trucks for the Road Fund. The principal amount of the lease agreement is \$364,929. The lease requires monthly interest payments due on the 20th of the month with an interest rate of 2.559%. The lease will mature on January 20, 2013.

On July 26, 2011, Pike County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Trust Program to purchase two trucks for the Solid Waste Fund. The principal amount of the lease agreement is \$277,796. The lease requires monthly interest payments due on the 20th of the month with an interest rate of 2.561%. The lease will mature on January 20, 2013.

On August 12, 2011, Pike County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Trust Program to purchase three trucks for the Road Fund. The principal amount of the lease agreement is \$364,929. The lease requires monthly interest payments due on the 20th of the month with an interest rate of 2.548%. The lease will mature on February 20, 2013.

THIS PAGE LEFT BLANK INTENTIONALLY

PIKE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis

For The Year Ended June 30, 2011

PIKE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Cash Basis

For The Year Ended June 30, 2011

	GENERAL FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 4,385,680	\$ 4,608,791	\$ 4,608,792	\$ 1
In Lieu Tax Payments	33,659	88,113	88,113	
Excess Fees	671,000	621,752	622,052	300
Licenses and Permits	242,500	243,370	242,787	(583)
Intergovernmental Revenue	1,222,251	1,766,651	1,682,591	(84,060)
Charges for Services	23,700	33,367	34,148	781
Miscellaneous	54,790	107,180	104,730	(2,450)
Interest	4,000	4,000	3,613	(387)
Total Revenues	<u>6,637,580</u>	<u>7,473,224</u>	<u>7,386,826</u>	<u>(86,398)</u>
EXPENDITURES				
General Government	3,796,345	3,854,550	3,674,760	179,790
Protection to Persons and Property	662,390	917,584	857,988	59,596
General Health and Sanitation	4,000	410,268	268,857	141,411
Social Services	140,667	140,746	135,614	5,132
Roads	107,043	112,632	109,264	3,368
Administration	1,822,375	1,915,730	1,843,620	72,110
Total Expenditures	<u>6,532,820</u>	<u>7,351,510</u>	<u>6,890,103</u>	<u>461,407</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>104,760</u>	<u>121,714</u>	<u>496,723</u>	<u>375,009</u>
OTHER FINANCING SOURCES (USES)				
Transfers To Other Funds	<u>(291,462)</u>	<u>(364,309)</u>	<u>(362,979)</u>	<u>1,330</u>
Total Other Financing Sources (Uses)	<u>(291,462)</u>	<u>(364,309)</u>	<u>(362,979)</u>	<u>1,330</u>
Net Changes in Fund Balances	<u>(186,702)</u>	<u>(242,595)</u>	<u>133,744</u>	<u>376,339</u>
Fund Balances - Beginning	<u>186,702</u>	<u>242,595</u>	<u>242,595</u>	
Fund Balances - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 376,339</u>	<u>\$ 376,339</u>

PIKE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Cash Basis
For The Year Ended June 30, 2011
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
In Lieu Tax Payments	\$ 216	\$ 661	\$ 661	\$
Intergovernmental Revenue	3,807,426	11,963,143	10,986,561	(976,582)
Miscellaneous	614,419	810,904	811,272	368
Interest		23	31	8
Total Revenues	4,422,061	12,774,731	11,798,525	(976,206)
EXPENDITURES				
Roads	6,631,310	15,202,173	13,795,432	1,406,741
Debt Service		1,755,573	1,755,573	
Administration	1,567,994	1,599,383	1,525,957	73,426
Total Expenditures	8,199,304	18,557,129	17,076,962	1,480,167
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(3,777,243)	(5,782,398)	(5,278,437)	503,961
OTHER FINANCING SOURCES (USES)				
Financing Obligations		1,750,000	1,747,750	(2,250)
Transfers From Other Funds	3,103,995	3,339,398	2,934,021	(405,377)
Transfers To Other Funds	(694,079)	(694,079)	(747,988)	(53,909)
Total Other Financing Sources (Uses)	2,409,916	4,395,319	3,933,783	(461,536)
Net Changes in Fund Balances	(1,367,327)	(1,387,079)	(1,344,654)	42,425
Fund Balances - Beginning	1,367,327	1,440,989	1,440,989	
Fund Balances - Ending	\$ 0	\$ 53,910	\$ 96,335	\$ 42,425

PIKE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Cash Basis
For The Year Ended June 30, 2011
(Continued)

	JAIL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 2,143,642	\$ 2,981,987	\$ 2,943,721	\$ (38,266)
Charges for Services	231,200	268,367	251,432	(16,935)
Miscellaneous	15,000	19,627	14,959	(4,668)
Total Revenues	2,389,842	3,269,981	3,210,112	(59,869)
EXPENDITURES				
Protection to Persons and Property	3,148,195	4,008,162	3,563,370	444,792
Debt Service	9,041	9,041	9,041	
Administration	1,041,580	1,045,822	1,004,239	41,583
Total Expenditures	4,198,816	5,063,025	4,576,650	486,375
Excess (Deficiency) of Revenues				
Over Expenditures Before Other Financing Sources (Uses)	(1,808,974)	(1,793,044)	(1,366,538)	426,506
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	1,748,518	1,712,386	1,547,136	(165,250)
Total Other Financing Sources (Uses)	1,748,518	1,712,386	1,547,136	(165,250)
Net Changes in Fund Balances	(60,456)	(80,658)	180,598	261,256
Fund Balances - Beginning	60,456	80,658	80,658	
Fund Balances - Ending	\$ 0	\$ 0	\$ 261,256	\$ 261,256

PIKE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Cash Basis
For The Year Ended June 30, 2011
(Continued)

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 12,929,876	\$ 15,661,148	\$ 12,685,179	\$ (2,975,969)
Charges for Services	1,500	16,500	15,977	(523)
Miscellaneous	5,000	123,952	123,952	
Total Revenues	12,936,376	15,801,600	12,825,108	(2,976,492)
EXPENDITURES				
General Government	544,179	1,296,301	1,191,410	104,891
Protection to Persons and Property	801,992	1,498,558	945,488	553,070
General Health and Sanitation	2,041,680	1,859,910	965,962	893,948
Social Services	1,050,800	1,257,892	999,771	258,121
Recreation and Culture	2,316,562	2,780,710	1,392,821	1,387,889
Transportation Facilities and Services		100,799	100,799	
Roads		30,050	30,050	
Airports	98,773	105,255	104,755	500
Other Transportation Facilities and Services	24,000	28,217	28,217	
Debt Service	560,489	526,024	526,019	5
Capital Projects	587,193	1,287,480	739,532	547,948
Administration	602,420	504,122	460,323	43,799
Total Expenditures	8,628,088	11,275,318	7,485,147	3,790,171
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	4,308,288	4,526,282	5,339,961	813,679
OTHER FINANCING SOURCES (USES)				
Transfers To Other Funds	(5,085,089)	(5,306,164)	(4,737,868)	568,296
Total Other Financing Sources (Uses)	(5,085,089)	(5,306,164)	(4,737,868)	568,296
Net Changes in Fund Balances	(776,801)	(779,882)	602,093	1,381,975
Fund Balances - Beginning	776,801	779,882	779,882	
Fund Balances - Ending	\$ 0	\$ 0	\$ 1,381,975	\$ 1,381,975

PIKE COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2011

Note 1. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

Note 2. Reconciliation of Required Supplementary Information to Statement of Revenues, Expenditures, and Changes in Fund Balances

Following is a summary of adjustments that convert the cash basis budgetary schedules to the modified cash basis of accounting used in the Statement of Revenues, Expenditures, and Changes in Fund Balances:

General Fund

Total Revenue - Budgetary Basis	\$ 7,386,826
To Adjust for 911 Board Activities	(496,044)
To reclass Maintenance Garage Fund as part of General Fund	<u>86,163</u>
Total Revenue-Modified Cash Basis	<u><u>\$ 6,976,945</u></u>
Total Expenditures-Budgetary Basis	\$ 6,890,103
To Adjust for 911 Board Activities	(481,228)
To reclass Maintenance Garage Fund as part of General Fund	<u>1,630,687</u>
Total Expenditures-Modified Cash Basis	<u><u>\$ 8,039,562</u></u>
Total Other Financing Sources (Uses)-Budgetary Basis	\$ (362,979)
To reclass Maintenance Garage Fund as part of General Fund	<u>1,544,109</u>
Total Other Financing Sources (Uses)-Modified Cash Basis	<u><u>\$ 1,181,130</u></u>
Total Beginning Fund Balance-Budgetary Basis	\$ 242,595
To Adjust for 911 Board Activities	66,625
To reclass Maintenance Garage Fund as part of General Fund	<u>27,132</u>
Total Beginning Fund Balance-Modified Cash Basis	<u><u>\$ 336,352</u></u>
Total Ending Fund Balance-Budgetary Basis	\$ 376,339
To Adjust for 911 Board Activities	51,809
To reclass Maintenance Garage Fund as part of General Fund	<u>26,717</u>
Total Ending Fund Balance-Modified Cash Basis	<u><u>\$ 454,865</u></u>

PIKE COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2011
(Continued)

Note 2. Reconciliation of Required Supplementary Information to Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)

Road Fund

Total Expenditures-Budgetary Basis	\$ 17,076,962
To Record Purchase of Capital Asset With Debt Proceeds	<u>679,638</u>
Total Expenditures-Modified Cash Basis	<u>\$ 17,756,600</u>
Total Other Financing Sources (Uses)-Budgetary Basis	\$ 3,933,783
To Record Proceeds From Debt	<u>679,638</u>
Total Other Financing Sources (Uses)-Modified Cash Basis	<u>\$ 4,613,421</u>

Jail Fund

Total Expenditures-Budgetary Basis	\$ 4,576,650
To Record Transfer of Debt Payment	<u>(9,041)</u>
Total Expenditures-Modified Cash Basis	<u>\$ 4,567,609</u>
Total Other Financing Sources (Uses)-Budgetary Basis	\$ 1,547,136
To Record Transfer of Debt Payment	<u>(9,041)</u>
Total Other Financing Sources (Uses)-Modified Cash Basis	<u>\$ 1,538,095</u>

Local Government Economic Assistance Fund

Total Revenue - Budgetary Basis	\$ 12,825,108
Current year payment on Golf Receivable	<u>(18,783)</u>
Total Revenue-Modified Cash Basis	<u>\$ 12,806,325</u>
Total Expenditures-Budgetary Basis	\$ 7,485,147
To Record Transfer of Debt Payment	(1,212,447)
To Reclass Airport Board Expenditures	(108,396)
To Reclass Transfer	29
To Reclass Golf Corp. Expenditures	<u>(23,629)</u>
Total Expenditures-Modified Cash Basis	<u>\$ 6,140,704</u>
Total Other Financing Sources (Uses)-Budgetary Basis	\$ (4,737,868)
To Record Transfer of Debt Payment	(1,212,447)
To Reclass Transfer	<u>29</u>
Total Other Financing Sources (Uses)-Modified Cash Basis	<u>\$ (5,950,286)</u>
Total Beginning Fund Balance-Budgetary Basis	\$ 779,882
To Record Prior Year Airport Board Receivables	9,659
To Record Prior Year Golf Corp. Receivables	<u>583,348</u>
Total Beginning Fund Balance-Modified Cash Basis	<u>\$ 1,372,889</u>
Total Ending Fund Balance-Budgetary Basis	\$ 1,381,975
To Record Current Year Airport Board Receivables	118,055
To Record Current Year Golf Corp. Receivables	<u>588,194</u>
Total Ending Fund Balance-Modified Cash Basis	<u>\$ 2,088,224</u>

PIKE COUNTY
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS -
MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2011

PIKE COUNTY
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS -
MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2011

	Local Government Economic Development Fund	Forestry Fund	Total Non-Major Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 397,230	\$ 13,265	\$ 410,495
Total assets	<u>\$ 397,230</u>	<u>\$ 13,265</u>	<u>\$ 410,495</u>
FUND BALANCES			
Assigned:			
Protection to Persons and Property	\$	\$ 13,265	\$ 13,265
Recreation and Culture	<u>397,230</u>		<u>397,230</u>
Total Fund Balances	<u>\$ 397,230</u>	<u>\$ 13,265</u>	<u>\$ 410,495</u>

See accompanying notes to the basic financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

PIKE COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

For The Year Ended June 30, 2011

PIKE COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

For The Year Ended June 30, 2011

	Local Government Economic Development Fund	Forestry Fund	Total Non-Major Governmental Funds
REVENUES			
Taxes	\$	\$ 10,229	\$ 10,229
Miscellaneous	149,730		149,730
Interest	408		408
Total Revenues	<u>150,138</u>	<u>10,229</u>	<u>160,367</u>
EXPENDITURES			
Protection to Persons and Property		5,719	5,719
Other Transportation Facilities and Services			
Capital Projects	225,227		225,227
Administration			
Total Expenditures	<u>225,227</u>	<u>5,719</u>	<u>230,946</u>
Excess (deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(75,089)</u>	<u>4,510</u>	<u>(70,579)</u>
Net Change in Fund Balances	(75,089)	4,510	(70,579)
Fund Balances - Beginning	472,319	8,755	481,074
Fund Balances - Ending	<u>\$ 397,230</u>	<u>\$ 13,265</u>	<u>\$ 410,495</u>

See accompanying notes to the basic financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

PIKE COUNTY
BALANCE SHEET - GOVERNMENTAL FUND - COMPONENT UNIT - MODIFIED CASH BASIS
June 30, 2011

PIKE COUNTY
BALANCE SHEET - GOVERNMENTAL FUND - COMPONENT UNIT - MODIFIED CASH BASIS

June 30, 2011

	Pike County Interlocal 911 Board
Assets	
Cash and Cash Equivalents	\$ 11,141
Total Assets	<u>11,141</u>
Fund Balance	
Unreserved	11,141
Total Fund Balance	<u>\$ 11,141</u>

**Reconciliation of the Balance Sheet-Governmental funds to the
Statement of Net Assets**

Total Fund Balance (Unreserved)	\$ 11,141
Amounts Reported For Governmental Activities In the Statement Of Net Assets Are Different Because	
Capital Assets , Net of Accumulated Depreciation, used in Governmental Activities Are Not Financial Resources And Therefore Are Not Reported in the Funds	<u>418,126</u>
Net Assets of Pike County Interlocal 911 Board	<u>\$ 429,267</u>

See accompanying notes to the basic financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

PIKE COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUND - COMPONENT UNIT - MODIFIED CASH BASIS

For The Year Ended June 30, 2011

PIKE COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUND - COMPONENT UNIT - MODIFIED CASH BASIS

For The Year Ended June 30, 2011

	Pike County Interlocal 911 Board
Revenues	
Charges For Services	\$ 468,979
Interest	187
Total Revenues	<u>469,166</u>
Expenditures	
Protection To Persons and Property	402,157
Administration	77,765
Total Expenditures	<u>479,922</u>
Excess (Deficiency) Of Revenues Over Expenditures Before Transfers and Financing Sources (Uses)	<u>(10,756)</u>
Net Change in Fund Balances	(10,756)
Fund Balances-Beginning	21,897
Fund Balances-Ending	<u><u>\$ 11,141</u></u>

**Reconciliation of the Statement of Revenues, Expenditures and Changes
In Fund Balance of Governmental Funds to the Statement of Activities**

Net Change in Fund Balances-Total Governmental Fund	\$ (10,756)
Government funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets are allocated over their useful lives and reported as depreciation expense.	
Capital Outlay	7,395
Depreciation	(83,131)
Book Value of Disposed Assets	<u>(2,578)</u>
Change in Net Assets of Pike County Interlocal 911 Board	<u><u>\$ (89,070)</u></u>

See accompanying notes to the basic financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

PIKE COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2011

PIKE COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended June 30, 2011

Federal Grantor Program Title <u>Grant Name (CFDA #)</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>	
U.S. Department of Agriculture			
Natural Resources Conservation Service			
Watershed Protection and Flood			
Prevention Program			
Emergency Watershed Protection Program (ARRA)			
(CFDA #10.904)	68-5C16-10	\$ 4,132,081	*
Emergency Watershed Protection Program -			
Flood Plain Easements (ARRA)			
(CFDA #10.904)		25,220	
		<hr/>	
Total U. S. Department of Agriculture		4,157,301	
U.S. Department of Commerce			
Economic Development Administration			
Passed-through Big Sandy ADD			
Economic Adjustment Assistance			
EDA Pike County Comprehensive Plan Project (ARRA)			
(CFDA #11.307)	04-79-06083	12,960	
Passed-through East Kentucky Pride, Inc.			
Congressionally Identified Awards and Projects			
PRIDE Grant - Fall Roadside PRIDE Cleanup 2010			
(CFDA #11.469)	SC10-83	8,678	
PRIDE Grant - Spring PRIDE Cleanup 2011			
(CFDA #11.469)	SC11-83	12,500	
		<hr/>	
Total U. S. Department of Commerce		34,138	
U.S. Department of Energy			
Energy Efficiency & Conservation Block Grant			
Landfill Methane Project (ARRA)			
(CFDA #81.128)	DE-SC0003011	282,800	
U.S. Department of Homeland Security			
Passed-Through Commonwealth Department			
of Military Affairs:			
Public Assistance Grants			
May 2009 Flood			
(CFDA #97.036)	FEMA-1841-DR-KY	519,217	*
Public Assistance Grants			
July 2010 Flood			
(CFDA #97.036)	FEMA-1925-DR-KY	3,215,514	*
Assistance to Firefighters Grant Program			
FY 2010 Safety Training Trailer			
(CFDA #97.044)	EMW -2010 FR-00065	37,371	
Congressional Earmark			
South Williamson Floodwall Certification			
(CFDA #97.047)	PON2-095-1000001460-1	243,636	

PIKE COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
Fiscal Year Ended June 30, 2011
(Continued)

Federal Grantor	Pass-Through	
Program Title	Grantor's Number	Expenditures
<u>Grant Name (CFDA #)</u>		
U.S. Department of Homeland Security (Continued)		
Passed-Through Commonwealth Department of Homeland Security:		
Homeland Security Grant Program		
Mobile Data Computers & Related		
Equipment - 2009		
(CFDA #97.067)	PO2-094-0800020901-1	\$ 7,686
Homeland Security Grant Program		
Mass Casualty Trailers W/Supplies		
(CFDA #97.067)	PO2-094-1000002683-2	3,027
Total U. S. Department of Homeland Security		<u>4,026,451</u>
TOTAL CASH EXPENDITURES OF FEDERAL AWARDS		<u><u>\$ 8,500,690</u></u>

* Denotes Major Program Tested.

PIKE COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended June 30, 2011

Note 1 - The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Pike County, Kentucky and is presented on a modified cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

Note 2 - Determination of Major Program

The type A program for the fiscal court is any program for which total expenditures of federal awards exceeds \$300,000 for fiscal year 2011 or were deemed high risk. The Type A programs were:

- Department of Agriculture – Watershed Protection and Flood Prevention Program – CFDA #10.904
- Department of Homeland Security – Public Assistance Grants – CFDA #97.036

Note 3 - Noncash Expenditures

There were no noncash expenditures of federal awards for fiscal year 2011.

THIS PAGE LEFT BLANK INTENTIONALLY

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



PEERCY AND GRAY, PSC

Certified Public Accountants

2300 Hurstbourne Village Drive, Suite 500

Louisville, Kentucky 40299

Phone: (502) 493-1090

FAX: (502) 493-7231

The Honorable Wayne T. Rutherford, Pike County Judge/Executive
Members of the Pike County Fiscal Court

Report On Internal Control Over Financial Reporting And On
Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Pike County, Kentucky, as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated November 28, 2011, wherein we issued a qualified opinion on the aggregate discretely presented component units. Pike County presents its financial statements on the modified cash basis, which is a comprehensive basis other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance over matters that are reported by those auditors.

Internal Control Over Financial Reporting

Management of Pike County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Pike County Fiscal Court's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Pike County Fiscal Court's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Pike County's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above.

Report On Internal Control Over Financial Reporting And On
Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Pike County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under Government Auditing Standards and which is described in the accompanying schedule of findings and questioned costs as item 2011-01.

This report is intended solely for the information and use of management, others within the entity, the Department for Local Government, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in cursive script that reads "Percy and Gray, PSC".

Percy and Gray, PSC
Certified Public Accountants

November 28, 2011

**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD
HAVE A DIRECT AND MATERIAL EFFECT EACH MAJOR PROGRAM AND ON
INTERNALCONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**



PEERCY AND GRAY, PSC

Certified Public Accountants

2300 Hurstbourne Village Drive, Suite 500

Louisville, Kentucky 40299

Phone: (502) 493-1090

FAX: (502) 493-7231

The Honorable Wayne T. Rutherford, Pike County Judge/Executive
Members of the Pike County Fiscal Court

Report on Compliance With Requirements
That Could Have A Direct And Material Effect On Each Major Program
And On Internal Control Over Compliance In Accordance With OMB Circular A-133

Independent Auditor's Report

Compliance

We have audited the compliance of Pike County, Kentucky, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. Pike County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Pike County Fiscal Court's management. Our responsibility is to express an opinion on Pike County Fiscal Court's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Pike County Fiscal Court's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Pike County Fiscal Court's compliance with those requirements.

As described in item 2011-02 in the accompanying schedule of findings and questioned costs, Pike County Fiscal Court did not comply with requirements regarding timesheet reimbursements that are applicable to the following major program:

- US Department of Homeland Security-Public Assistance Grant (CFDA 97.036)

Compliance with such requirements is necessary, in our opinion, for Pike County Fiscal Court to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, Pike County Fiscal Court complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Report on Compliance With Requirements
That Could Have A Direct And Material Effect On Each Major Program
And On Internal Control Over Compliance In Accordance With OMB Circular A-133
(Continued)

Internal Control Over Compliance

Management of Pike County Fiscal Court is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Pike County Fiscal Court's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Pike County Fiscal Court's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over compliance that we consider to be significant deficiency as described in the accompanying schedule of findings and questioned costs as item 2011-02. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

This report is intended solely for the information and use of management, others within the entity, the Department for Local Government, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than the specified parties.

Peercy and Gray, PSC

A handwritten signature in cursive script that reads "Peercy and Gray, PSC".

Certified Public Accountants

November 28, 2011

PIKE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Fiscal Year Ended June 30, 2011

PIKE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Fiscal Year Ended June 30, 2011

A. SUMMARY OF AUDIT RESULTS

1. The Auditors' report expresses an unqualified opinion on the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Pike County. The auditors' report also expresses a qualified opinion on the aggregate discretely presented component units of Pike County.
2. No material weaknesses relating to the audit of the financial statements are reported in the Independent Auditors' Report.
3. One instance of noncompliance material to the financial statements of Pike County was disclosed during the audit.
4. One significant deficiency relating to the audit of the major federal awards programs is reported in the Independent Auditors' Report.
5. The auditors' report on compliance for the audit of the major federal awards programs for Pike County expresses an unqualified opinion.
6. There is one audit finding relative to the major federal awards programs for Pike County reported in Part C of this schedule.
7. The programs tested as major programs were: Department of Agriculture – Watershed Protection and Flood Prevention Program – CFDA #10.904; Department of Homeland Security - Public Assistance Grants - CFDA # 97.036.
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Pike County was not determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

2011-01 Projects Greater Than \$20,000 Not Advertised For Bids As Required Per KRS 424.260

During our test of expenditures, we noted there were two projects greater than \$20,000 each that were not advertised for bids as required by KRS 424.260. These projects were included in a building constructed totaling \$482,094. Work was ordered by a Magistrate without prior Fiscal Court approval.

We recommend that all projects greater than \$20,000 should be advertised for bids as required by KRS 424.260. Fiscal Court should approve all bids before the work is ordered.

County Judge/Executive Wayne T. Rutherford's Response: No response.

PIKE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2011
(Continued)

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT

2011-02 Work Hours Charged To Federal Grants Should Match Time Sheets

CFDA#: 97.036

Federal Program: Public Assistance

Federal Agency: US Dept of Homeland Security

Pass-Through Agency: KY Department of Military Affairs

Compliance Area: Allowed/Allowable Costs

Amount of Questioned Costs: \$126

During our test of federal awards, we noted one instance of hours reported on time sheets did not match hours charged to amounts on the FEMA Grant. The amounts tested produced an overcharge of \$25.89. Also, we noted one instance of hours reported on equipment time sheets did not match hours charged to amounts on the FEMA Grant. The amounts tested produced an overcharge of \$100.

We recommend that hours requested for reimbursement be reconciled to time sheets submitted by employees.

County Judge/Executive Wayne T. Rutherford's Response: No response.

D. SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

None.

**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE
AND DEVELOPMENT PROGRAMS**

PIKE COUNTY FISCAL COURT

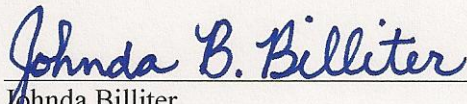
For The Fiscal Year Ended June 30, 2011

CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS
PIKE COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2011

The Pike County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance and Economic Development Programs was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.


Wayne T. Rutherford
County Judge/Executive


Johnnda Billiter
County Treasurer

